



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105**

E-mail
Hand Delivered

April 1, 2008

Andrew Devegvar
Greka Oil and Gas, Inc.
a.k.a. Greka SMV, a.k.a. Greka Energy
6527 Dominion Road
Santa Maria, CA 93454

Re: EPA Takeover of Work at the Bell Tank Facility and Lease

Greka Oil and Gas, Inc. (Greka) has violated the Order for Removal, Mitigation or Prevention of a Substantial Threat of Oil Discharge, Docket No. OPA 311-09-2008-0002 ("the Order"). Due to Greka's violations of the Order and the continued discharge or threat of discharge of oil to waters of the United States, the United States Environmental Protection Agency (EPA) is assuming control over all work at the Bell Tank Facility and Lease, located at 6801 Palmer Road in Santa Maria, California (the Facility), effective immediately.

Greka has failed to provide EPA with the documents required pursuant to Sections 18a and 18c of the Order. Section 18a requires Greka to submit Work Plan 1 no later than February 28, 2008. Section 18c requires Greka to submit a sampling plan no later than February 14, 2008. In addition, Greka has informed EPA that it will not be submitting a work plan on April 1, 2008, for removal of oil and solids from the Facility wastewater ponds, as required by EPA's January 29, 2008 verbal amendment to the Order¹.

Greka has also violated Section 19d of the Order, which requires Greka to remove all petroleum and petroleum-contaminated media from the environment. As of the date of this letter, cleanup at the Facility is not complete. Most importantly, oil contamination remains in the creek that runs parallel to Palmer road (the Creek). The discharge and/or threat of a discharge of oil to waters of the United States is not acceptable and must be addressed expeditiously.

In an amendment to the Order on February 1, 2008, EPA prohibited Greka employees from conducting cleanup work in the Creek because Greka employees had improperly covered oil in the Creek with fresh soil. On March 14, 2008, Greka terminated its relationship with Advanced Cleanup Technologies, Inc. for cleanup work at the site. Greka's new contractor, Filter Recycling Service (FRS), has, after two attempts, failed to submit adequate health and safety

¹ On February 21, 2008, EPA provided a written response to Greka's request for clarification of EPA's authority to issue the January 29, 2008 verbal amendment to the Order.

plans, and has been judged by EPA, in consultation with its state and local agency partners, to be unqualified to perform the work required at the Facility in an effective and timely manner.

Based on the above factors and pursuant to Section 25 of the Order, EPA is taking over the cleanup of the January 29, 2008 Bell Lease spill effective immediately.

Greka may be subject to fines and penalties pursuant to Section 26 of the Order for the violations of Section 18 and 19 of the Order.

In preparation for EPA's cleanup activities, EPA is directing Greka to address all pipes in the impacted areas in the following manner:

- All pipes that contain oil are to be marked with yellow paint;
- All pipes that contain water are to be marked with blue paint;
- All pipes that contain natural gas, field gas, or drip gas are to be marked with red paint;
- All pipes with unknown contents are to be marked with green paint;
- All open pipes, abandoned pipes or damaged pipes are to be removed from the Creek. The pipes must be removed 10 feet from either bank of the Creek. The ends must be permanently blinded and
- All pipes that may be subterranean must be marked with orange flags.

Greka is to prevent all discharges to the upper Bell wastewater ponds. Greka is to blind all pipes leading into the Bell wastewater ponds to prevent waste from the ponds from moving into or out of the ponds. Greka is to mark the locations of all subsurface pipes around the upper Bell wastewater ponds. Greka is also directed, pursuant to Section 25 of the Order, to cease any use of the Bell loading rack on those days that EPA cleanup operations are occurring at the upper Bell ponds.

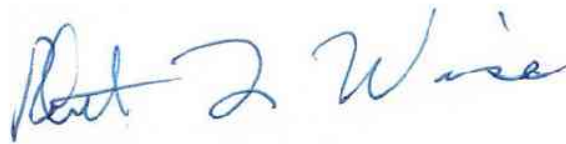
Greka may remove or reroute pipes from the cleanup areas as it feels necessary. While cleanup operations are ongoing, Greka may not bring any pipes in the cleanup areas on-line. This includes pipes from the Bell Tank Farm to the upper Bell ponds or the Blochman injection ponds. The pipes must be addressed as described above no later than COB on Friday, April 4, 2008. Failure to mark or remove pipes or the activating of pipes in the cleanup area as described above will be a violation of the Order and subject Greka to the fines and penalties described pursuant to Section 26 of the Order.

Pursuant to Section 19d of the Order, Greka is to profile and dispose of all waste generated at the Facility prior to March 28, 2008. Waste soil, vegetation, debris or contaminated cleanup items must be disposed of off-site to an approved facility. All portable storage tanks containing liquids generated during cleanup operations are to be emptied. All clean-up generated waste material, oil to be recycled, and wastewater must be removed from the site no later than May 1, 2008, or ninety (90) days from the date of its generation, whichever is sooner. Failure to remove the above-mentioned materials before the deadline will result in EPA removing the material for disposal and may subject Greka to fines and penalties pursuant to Section 26 of the Order. If EPA has to remove the materials for disposal, EPA will recycle any crude oil present and apply any monies received for the value of the oil to the cost of the cleanup.

With this letter EPA is amending the Order, pursuant to Section 25, to direct Greka to remove all waste generated during the July, 2007 Bell Lease spill and the December, 2007 Bell Lease spill as described in the previous paragraph. Greka must remove this material no later than April 15, 2008.

If you have any questions please do not hesitate to contact OSC Robert Wise at (562) 889-2572 or for legal questions contact Michael Massey, Office of Regional Counsel at (415) 972-3034.

Sincerely,



Robert Wise
Emergency Response Section
Superfund Division

Greka Acknowledgement of Receipt

Date

cc: Michael Massey, EPA
Steve Calanog, EPA
Daniel Meer, EPA
Scott Adair, EPA
Mark Samolis, EPA
Jim Hanson, EPA
Patricia Port, US DOI
Brian Gollhoffer, CA DFG
John Holland, CA DFG
Mike Connell, CADFG
Pam McNulty, SBCo. Petroleum Office
Mike Zimmer, SBCo. Petroleum Office
Battalion Chief Richard Todd, SBCoFD
Kate Sulka, SBCoFD
Mike Brown, SBCo. Adm. Office
Kevin Ready, SBCo. Counsel
Ed Brannon, DOGGR
Terry Synder, APCD
Todd Stanley, RWQCB
Salute Carbajal, SBCo. Board of Supervisors
Janet Wolf, SBCo. Board of Supervisors
Joni Gray, SBCo. Board of Supervisors

Joe Centano, SBCo. Board of Supervisors
Congresswoman Lois Capps
Assemblyman Pedro Nava
Senator Barbara Boxer